



**CORRECTED
FISCAL MEMORANDUM**

HB 677 - SB 1310

March 17, 2022

SUMMARY OF BILL AS AMENDED (015784): Requires a clear, readily accessible, and convenient process for patients and prescribing practitioners to request a step therapy exception if coverage of a prescription drug for the treatment of any medical condition is restricted for use by a health carrier, health benefit plan, or utilization review organization through the use of a step therapy protocol.

The proposed legislation takes effect January 1, 2023 and applies to agreements for health insurance or health plans entered into, issued, delivered, amended, or renewed on or after that date.

FISCAL IMPACT OF BILL AS AMENDED:

Due to updated information provided by the Department of Finance and Administration, and incorrect information contained in the summary, the fiscal memo issued on March 7, 2022 was determined to be in error. The fiscal impact has been corrected as follows:

(CORRECTED)

Increase State Expenditures - \$105,400/FY22-23

\$210,800/FY23-24 and Subsequent Years

Increase Federal Expenditures - \$11,200/FY22-23

\$22,500/FY23-24 and Subsequent Years

Increase Local Expenditures – Exceeds \$64,500/FY22-23*

Exceeds \$129,000/FY23-24 and Subsequent Years*

Assumptions for the bill as amended:

- Step therapy is the process of trying less expensive medications before stepping up to drugs that cost more.
- The proposed legislation requires health carriers, health benefit plans, or utilization review organizations to grant a step therapy exception if one of certain outlined criteria is met.
- The proposed legislation does not apply to the TennCare program or any of its successors, the CoverKids Act of 2006, or the Access Tennessee Act of 2006.

- Based on information previously provided by the Division of Benefits Administration's medical carrier and PBM, it is estimated there will be an increase in state expenditures of \$168,173 for the State Plan, and \$65,036 for the Local Education Plan.
- Some state plan member's insurance premiums are funded through federal dollars. The increase in federal expenditures in FY23-24 and subsequent years is estimated to be \$22,451. Due to the January 1, 2023 effective date, the increase in federal expenditures is estimated to be \$11,226 ($\$22,451 \times 50.0\%$) in FY22-23.
- The total state expenditures will be \$210,758 $[(\$168,173 + \$65,036) - \$22,451]$ in FY23-24. Due to the January 1, 2023 effective date, the increase in state expenditures is estimated to be \$105,379 ($\$210,758 \times 50.0\%$) in FY22-23.
- The state does not contribute to the Local Government Plan; any increase in premiums will be entirely absorbed by the participating agencies and their members.
- It is estimated the Local Government Plan would be responsible for a mandatory increase in local expenditures estimated to be \$129,010 in FY23-24 and subsequent years. Due to the January 1, 2023 effective date, the increase in local expenditures is estimated to be \$64,505 ($\$129,010 \times 50.0\%$) in FY22-23.
- The impact on local governments that do not opt into the Local Government Plan is unknown; therefore, the total increase in local expenditures is estimated to exceed \$129,010 in FY23-24 and subsequent years and exceed \$64,505 in FY22-23.
- The Department of Commerce and Insurance can promulgate rules utilizing existing resources; therefore, any fiscal impact is estimated to be not significant.

IMPACT TO COMMERCE OF BILL AS AMENDED:

(CORRECTED)

Increase Business Revenue – Exceeds \$181,100/FY22-23

Exceeds \$362,200/FY23-24 and Subsequent Years

Increase Business Expenditures – Less than \$181,100/FY22-23

Less than \$362,200/FY23-24 and Subsequent Years

Assumptions for the bill as amended:

- Healthcare providers will experience an increase in business revenue for providing services.
- The increase in business revenue is estimated to exceed \$181,110 ($\$11,226 + \$105,379 + \$64,505$) in FY22-23 and exceed \$362,219 ($\$22,451 + \$210,758 + \$129,010$) in FY23-24 and subsequent years.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to be less than \$181,110 in FY22-23 and less than \$362,219 in FY23-24 and subsequent years.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/cd